

Message Text

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PAGE 01 CAIRO 13544 051825Z

67

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 7638

INFO AMEMBASSY ROME

C O N F I D E N T I A L CAIRO 13544

E.O. 11652: GDS

TAGS: EFIN EAID

SUBJ: GOE REPORTEDLY IN ARREARS ON ITALIAN GOVT LOAN

1. ITALIAN EMBASSY ECON COUNSELOR JANNI PASSED US NEWS THAT GOE HAS FAILED TO MAKE PAYMENTS DUE 1976 ON OFFICIAL LOAN, THUS AUTOMATICALLY BRINGING INTO EFFECT GOI PROHIBITION ON ITALIAN EXPORT CREDIT GUARANTEES FOR EGYPT. ACCORDING JANNI, AMOUNTS DUE WERE ABOUT \$4 MILLION EQUIVALENT IN JANUARY AND IN JULY. LOAN DATES FROM 1962 AND HAD BEEN RESCHEDULED 1971 TO PROVIDE FIVE-YEAR GRACE PERIOD. HE SAID TOTAL AMOUNT OF LOAN IS \$42 MILLION.

2. ITALIANS DISCUSSED NONPAYMENT WITH MINFIN ABU ISMAIL AND MINFIN UNDERSECRETARY ELBANNA, WHO IS RESPONSIBLE FOR FOREIGN EXCHANGE BUDGET, IN SEPTEMBER, URGING SERVICE AT LEAST OF DEBT FALLING DUE THIS PAST JANURAY TO AVOID PROBLEM WITH EXPORT GUARANTEES. DESPITE PROMISES THAT MATTER WOULD BE CLEARED UP, NO RPT NO PAYMENTS HAVE YET BEEN MADE. JANNI EXPRESSED CONCERN TO EMBOFF THAT EVEN IF PARTIAL PAYMENT IS MADE, THIS WILL PROVE INSUFFICIENT TO OVERCOME CURRENT BAN ON EXPORT GUARANTEES.

3. JANNI EXPRESSED OPINION THAT GOE REALIZES ITALY IS NOT
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PAGE 02 CAIRO 13544 051825Z

IN POSITION TO BE OF MAJOR FINANCIAL ASSISTANCE AND THEREFORE

IS FAIRLY RELAXED ABOUT MAINTIANING ECONOMIC AND COMMERCIAL RELATIONS WHICH WOULD PAVE WAY FOR EXPANDED AID DONOR ROLE BY GOI. HE SEEMED PARTICULARLY IRRITATED THAT NEWSPAPER ACCOUNTS OF HIS SEPTEMBER DEMARCHE TO MINFIN, ON BASIS MINFIN PRESS RELEASE, GAVE FALSE IMPRESSION THAT JUST SUCH AN EXPANDED ROLE WAS DISCUSSED. (NOTE: EVERYONE OF ANY CONSEQUENCE WHO HOLDS MEETING WITH GOE ECONOMIC MINISTERS HAS SAME EXPERIENCE.) JANNI SAID ALSO TAHT HE HAS ALMOST GIVEN UP ON TRYING TO ARRANGE DISBURSEMENT OF \$2 MILLION IN GOI FUNDS EARMARKED UNDER BILATERAL AGREEMENT FOR FEASIBILITY STUDIES. HE CITED AS CHIEF PROBLEMS INACCESSIBILITY OF MINISTERS, PARTICULARLY MINHOUSING AND RECONSTRUCTION OSMAN, AND INEFFICIENCY OF BUREAUCRACY, COUPLED WITH COMPLEXITIES OF HIS OWN GOVERNMENT'S OPERATING PROCEDURES.

4. COMMENT: ACCORDING IMF DATA, GOE ARREARS ON OFFICIAL CONVERTIBLE CURRENCY LOANS AT END OF 1975 WERE SMALL (\$14.7 MILLION), WITH MOST OF THIS AMOUNT DUE KUWAIT. TOTAL CAPITAL AND INTEREST SCHEDULED FOR PAYMENT 1976 IS \$150 MILLION; WE SUSPECT THAT ITALIANS ARE NOT ALONE IN WAITING FOR THEIR MONEY THIS YEAR.
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